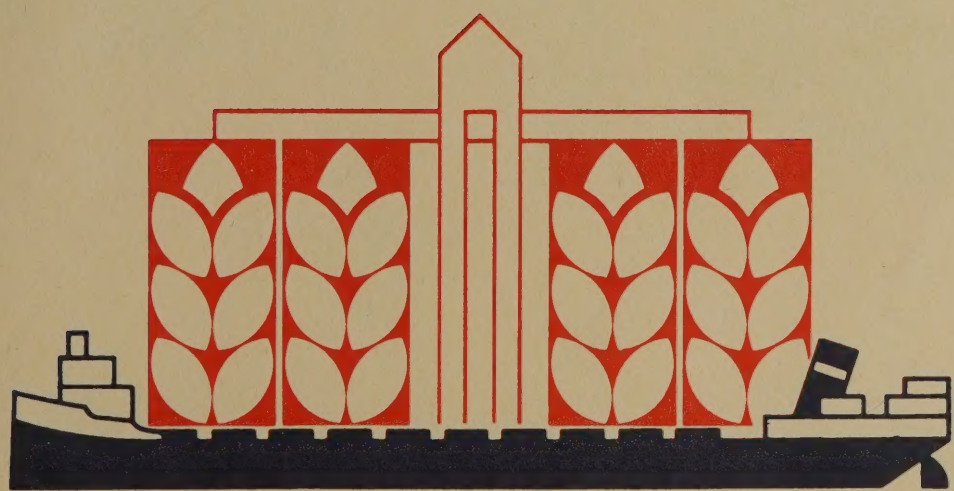


AR40

CanCorp

The Goderich Elevator and Transit Co. Ltd.

77th Annual Report
for the year ended
March 31, 1975



Ad Camp
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AR40

The Goderich Elevator & Transit Company Limited

To The Shareholders:

In comparing the six months earning statement with last year's, we would point out the following:

1. Last year in this period we had experienced an eight week strike, thus income from operations was depressed.
2. Investment income this year is down because we sold approximately \$150,000 from our portfolio to raise funds for the new truck unloading depot.
3. Last year we had sold a barge and as a result had a large income item as a gain on sale of fixed assets.
4. On the statement of changes in financial position, the large expenditure under additions to fixed assets was mainly the aforementioned truck unloading depot and caused an abnormal decrease in working capital within the period.

Grain receipts to September 30th were 8,750,000 bushels: this is slightly above average. We hope to repeat that figure for the second six months for a total for the year between 16 and 17 million. Because of heavier expenses in the second six months we would caution shareholders that the earnings figure may not necessarily be repeated.

We have had a good opportunity to test the new truck unloading equipment starting with the Ontario wheat crop and now with Ontario corn and are satisfied we have doubled our receiving capability. There is a noted reduction in the waiting time for individual trucks to unload.

In view of the favourable results, your Directors have declared a regular semi-annual dividend, payable January 1, 1977, of .65c per share plus .35c extra.

Respectfully yours,

G. G. Parsons,
President.

Goderich, Ontario
November 3rd, 1976

STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)

Six months ended September 30th

SOURCE OF FUNDS:

Operations —
Net Income for period
Depreciation of properties
(not a cash outlay)
Gain on sale of fixed assets
Deferred income taxes

Proceeds on sale of fixed assets

1976

1975

\$ 113,523

\$ 150,864

55,000

38,016
(123,959)
(10,000)

168,523

54,921
145,000

168,523

199,921

89,625
336,264

112,281
42,806
4,225

APPLICATION OF FUNDS:

Dividends paid shareholders
Additions to fixed assets
Purchase of Company shares

425,889

159,312

(257,366)
997,317

40,609
864,012

\$ 739,951

\$ 904,621

INCREASE (DECREASE) IN WORKING CAPITAL
WORKING CAPITAL AT BEGINNING OF YEAR

WORKING CAPITAL AT SEPTEMBER 30th

STATEMENT OF INCOME (UNAUDITED)
Six months ended September 30th

	<u>1976</u>	<u>1975</u>
	^{1/} Basic earnings per share	^{1/} Basic earnings per share
REVENUE from elevation, storage, shovelling and other charges	\$ 784,331	\$ 470,400
EXPENSES:		
Operating expenses —		
Wages of superintendents, weighmen, etc.	262,135	148,297
Municipal taxes	65,555	57,633
Supplies, repairs and maintenance	92,496	59,126
Power, water and light	20,077	13,853
Insurance & elevator bond premiums	27,046	18,481
Insurance on grain in storage	7,010	8,952
Employees' pension plan	3,755	2,131
Depreciation of properties	55,000	38,016
Administration Expenses —		
Management and office salaries	40,973	43,529
Directors' fees	4,250	4,250
Office expenses, employee benefits, travelling, donations, etc.	62,196	43,579
	640,493	437,847
Income from operations	143,838	32,553
Investment income	23,716	32,780
Gain on sale of fixed assets	(5,031)	123,959
Loss on sale of investments	(1.06)	(7,428)
Income for period before taxes on income	162,523	181,864
Taxes on income	49,000	31,000
Net income for period	\$ 113,523	\$ 150,864
Dividend paid in the period	\$ 89,625	\$ 112,281
	\$ 1.00	\$ 1.25
	\$ 1.26	\$ 1.68

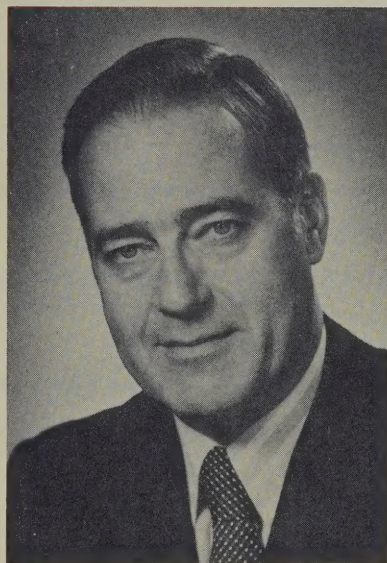
NOTES 1/ Since there are no senior shares or debt which may be converted to common shares and no rights, warrants or options, fully diluted earnings per share is not applicable.

2/ Based on 89,625 shares.

DIRECTOR'S REPORT TO SHAREHOLDERS

It is a pleasure to report on a year such as the one just completed, March 31, 1975.

Bushels handled of 16,521,800 were the highest in 18 years and resulted in earnings of \$3.42 per share which was a record for the Company. The Directors have reacted to these good results by increasing the regular annual dividend rate to \$1.30 from \$1.00. A payment will be made on July 1, of \$1.25 per share based on .65c regular and .60c extra. We should quickly point out that two factors helped push the earnings figure to a record. The sale of a surplus storage barge at a high scrap value netted the Company \$100,000, and by a quirk of strikes, we fell heir to a large volume of Ontario Wheat handling which gave us an unusual earning. We have in the past few weeks disposed of another storage vessel, again at a favourable figure, the results of which will be portrayed in next year's statement. We have been enabled to do this because of the additional elevator space we purchased in 1973.



In March of 1975, the Directors wound up Goderich Elevator Holdings Limited. It was a company created in 1971 to hold the investment portfolio. Recent changes in tax legislation obviated the need for this Company.

As we surveyed the investment market to put some standby funds to work, we saw no other medium that was as promising as our own Company. Accordingly, when 125 shares became available, they were purchased at \$16.25. The necessary changes to reflect this transaction are recorded on the accompanying balance sheet and statement of changes in financial position.

We wish we were in the position of reporting a year begun that had the prospects of last year. Unfortunately, this is not so. The imbalance in prices between feed grain and cattle has caused a cutback in most livestock raising. We will probably replace some of these lost bushels with export grain which was not necessary last year. By October, we hope to report the establishment of an average year for the Company.

We continue to have the cooperation of our customers and employees. We did not successfully negotiate a renewal to our union contract at March 31, and are currently awaiting the services of a Federal Conciliation officer.

On behalf of the
Board of Directors,

G. G. Parsons,
President.

May 22, 1975.

(see accompanying notes)

LIABILITIES**1975****1974****Current:**

Due to bankers	\$ 33,708	\$ 20,076
Accounts payable and accrued charges	49,418	88,789
Taxes payable	116,052	
	199,178	108,865
Deferred income taxes:	325,000	295,000

Shareholders' equity:**Capital (note 2)—**

Authorized less purchased for cancellation:

89,875 shares of no par value

Issued and fully paid:

89,875 shares (1974—90,000)

Retained earnings	848,729	699,489
	1,899,987	1,752,209

On behalf of the Board

Director, G. G. Parsons

Director, D. B. Weldon

\$2,424,165**\$2,156,074**

(see accompanying notes)

Consolidated Statement of Income

March, 31, 1975

(with comparative amounts for 1974)

	1975	1974
Revenue from elevation, storage, shovelling and other charges	\$1,421,557	\$979,502
Expenses:		
Operating expenses—		
Wages of superintendent, weighmen, operators, etc.	434,806	317,765
Municipal taxes	99,228	74,832
Supplies, repairs and maintenance	155,028	97,633
Power, water and light	36,404	29,334
Insurance and elevator bond premiums	37,985	33,351
Insurance on grain in storage	21,552	28,369
Employees' pension plan	5,245	3,378
	790,248	584,662
Depreciation of properties	76,989	63,340
Administration expenses—		
Management and office salaries	74,185	63,200
Directors' fees	8,500	8,500
Office expenses, employee benefits, travelling, donations, etc.	77,910	65,184
	160,595	136,884
Total expenses	1,027,832	784,886
Income from operations	393,725	194,616
Other income (expenses):		
Investment income	47,086	38,985
Loss on sale of investments	(1,649)	(6,262)
Gain on disposal of fixed assets	71,441	3,636
	116,878	36,359
Income before taxes on income	510,603	230,975
Taxes on income—current (note 3)	173,294	64,000
—deferred	30,000	26,000
	203,294	90,000
Net income for year	\$ 307,309	\$140,975
Earnings per share	\$3.42	\$1.63

(see accompanying notes)

Consolidated Statement of Changes in Financial Position

March 31, 1975

(with comparative amounts for 1974)

	1975	1974
Sources of working capital:		
Operations—		
Net income for year	\$ 307,309	\$140,975
Other items not requiring an outlay of working capital:		
Depreciation	76,989	63,340
Deferred income taxes	30,000	26,000
Organization expense	700	
Gain on disposal of fixed assets	(71,441)	(3,636)
	343,557	226,679
Issue of shares		116,680
Decrease in refundable taxes		7,000
Proceeds on disposal of fixed assets	100,000	
	443,557	350,359
Uses of working capital:		
Dividends paid	157,500	87,083
Purchase of fixed assets	7,274	609,953
Purchase of company's shares	2,031	
	166,805	697,036
Increase (decrease) in working capital	276,752	(346,677)
Working capital beginning of year	587,260	933,937
Working capital end of year	\$ 864,012	\$587,260
Represented by:		
Current assets	\$1,063,190	\$696,125
Current liabilities	199,178	108,865
	\$ 864,012	\$587,260

Consolidated Statement of Retained Earnings

March 31, 1975

(with comparative amounts for 1974)

	1975	1974
Balance beginning of year	\$ 699,489	\$638,597
Net income for year	307,309	140,975
	1,006,798	779,572
Dividends paid of \$1.75 per share in 1975 and \$1.00 per share in 1974	157,500	87,083
Refundable taxes (note 3)		(7,000)
Excess of purchase price of company's shares over average paid-up capital (note 2)	569	
	158,069	80,083
Balance end of year	\$ 848,729	\$699,489

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1975

1. ACCOUNTING POLICIES

Principles of consolidation

Effective March 14, 1975 the company's wholly-owned subsidiary, Goderich Elevator Holdings Limited, was wound-up and the assets were distributed to The Goderich Elevator and Transit Company Limited. As a result, the consolidated statements of income, retained earnings and changes in financial position include the operations of the subsidiary to March 14, 1975 the effective date of the wind-up.

Fixed assets and depreciation

Fixed assets are stated at acquisition cost except land and water lots held under lease which are recorded at the nominal value of \$1. Depreciation is provided on a straight line basis, generally using the following rates:

Docks, buildings and attached machinery	— over length of government lease extending to the year 2001
Equipment	— 10%
Automobile	— 25%
Barges	— 5% with \$15,000 scrap value
Pollution control equipment	— 15 years

Earnings per share

Earnings per share are calculated based on the weighted average of shares outstanding during the year.

Deferred income taxes

Income taxes charged to income represent both the portion currently payable and the portion which is deferred due to claiming depreciation and other items for tax purposes in amounts which exceed the charges recorded in the accounts. The resultant deferrals of income tax are reflected on the balance sheet as deferred income taxes.

2. PURCHASE OF SHARES

During the year the company obtained articles of amendment authorizing it to purchase its own shares and subsequently, the company purchased 125 of its own shares for a total consideration of \$2,031. This amount was \$569 in excess of the average paid-up capital of the shares issued to date of the purchase.

3. TAXES ON INCOME

Under the Income Tax Act, Canada, the company is classified as a private corporation and, therefore, certain taxes paid relative to dividend and interest income are potentially refundable; accordingly, these taxes are not deducted in arriving at the net income for the year but are shown as a deduction from retained earnings. Refunds of these taxes can normally be obtained at the rate of \$1 for each \$3 of taxable dividends paid. Sufficient dividends were paid during the year to recover all such taxes.

4. REMUNERATION

The aggregate remuneration of directors and senior officers as required by Section 178 of The Business Corporations Act, 1970, Ontario, was \$107,011 in 1975 and \$97,907 in 1974. These amounts include remuneration of three employees who are not considered to be part of the management of the company.

Clarkson, Gordon & Co.

Chartered Accountants

Northern Life Tower, City Centre,
380 Wellington Street, London, Canada N6A 5B5

AUDITORS' REPORT

To the Shareholders of
The Goderich Elevator and Transit
Company Limited.

We have examined the balance sheet of The Goderich Elevator and Transit Company Limited as at March 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position of the company for the year then ended including its subsidiary to the date of wind-up on March 14, 1975. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the balance sheet and the consolidated statements of income, retained earnings and changes in financial position present fairly the financial position of the companies as at March 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada.
April 24, 1975.

Clarkson, Gordon & Co.
Chartered Accountants.

DIRECTORS

- * H. C. HEIMBECKER
Parrish & Heimbecker Ltd.
Toronto, Ontario
- K. W. JONES
Winnipeg Charterers Ltd.
Winnipeg, Manitoba
- K. B. MacMILLAN
Jas. Richardson & Sons Ltd.
Winnipeg, Manitoba
- * G. G. PARSONS
Goderich Elevator & Transit Co. Ltd.
Goderich, Ontario
- W. T. POWELL
Kenwal Enterprises Ltd.
Winnipeg, Manitoba
- * C. L. TURNER
Maple Leaf Mills Ltd.
Toronto, Ontario
- DAVID B. WELDON
Midland-Doherty Ltd.
Toronto, Ontario
- * Audit Committee

EXECUTIVE OFFICERS

G. G. PARSONS
President-Manager

DAVID B. WELDON
Vice-President

J. C. CHISHOLM
Secretary

J. B. LOCKHART
Treasurer

EXECUTIVE COMMITTEE

H. C. HEIMBECKER
Chairman

DAVID B. WELDON

G. G. PARSONS

AUDITORS

CLARKSON, GORDON & CO.
London, Ontario

BANKERS

ROYAL BANK OF CANADA

TRANSFER AND REGISTER AGENTS

CANADA PERMANENT TRUST COMPANY
1901 Yonge St., Toronto 7

FISCAL AGENTS

MIDLAND-DOHERTY LTD.
Toronto, Ontario

SOLICITORS

DONNELLY AND MURPHY
Goderich, Ontario

